

**LEMON GROVE SUCCESSOR AGENCY  
AGENDA ITEM SUMMARY**

Item No. 5  
Mtg. Date March 3, 2015  
Dept. Finance

**Item Title:** Loan Agreements Between the City of Lemon Grove and the Successor Agency to the Lemon Grove Community Development Agency

**Staff Contact:** Cathy Till, Finance Director

**Recommendation:**

Adopt two resolutions (**Attachments A and B**) approving Loan Agreements between the City of Lemon Grove and the Successor Agency to the Lemon Grove Community Development Agency.

**Item Summary:**

At its February 26, 2015 meeting, the Oversight Board to the Successor Agency of the Lemon Grove Community Development Agency adopted two resolutions approving two loan agreements between it and the City of Lemon Grove. The City Council, as part of Agenda Item #6, will consider the two loan agreements. The purpose of this agenda item is to present the same loan agreements for the Successor Agency Board consideration. The loan agreements address two short-term cash-flow loans from the City to the Successor Agency.

**Fiscal Impact:**

The loan agreements provide documentation for Successor Agency reimbursement requests for short-term cash-flow loans made from the City to the Successor Agency (a total of \$333,010).

**Environmental Review:**

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Not subject to review        | <input type="checkbox"/> Negative Declaration           |
| <input type="checkbox"/> Categorical Exemption, Section [      ] | <input type="checkbox"/> Mitigated Negative Declaration |

**Public Information:**

- |  |   |   |
|--|---|---|
| <input checked="" type="checkbox"/> None                     | <input type="checkbox"/> Newsletter article   | <input type="checkbox"/> Notice to property owners within 300 ft. |
| <input type="checkbox"/> Notice published in local newspaper | <input type="checkbox"/> Neighborhood meeting |   |

**Attachments:**

- A. Resolution 2015-
- B. Resolution 2015-



# Attachment A

## RESOLUTION NO. 2015-\_\_\_\_\_

### RESOLUTION OF THE LEMON GROVE SUCCESSOR AGENCY BOARD APPROVING A LOAN AGREEMENT BETWEEN THE SUCCESSOR AGENCY TO THE LEMON GROVE COMMUNITY DEVELOPMENT AGENCY AND THE CITY OF LEMON GROVE

**WHEREAS**, the Lemon Grove Community Development Agency (“Agency”) was established as a redevelopment agency that was previously organized and existing under the California Community Redevelopment Law, Health & Safety Code Section 33000, *et seq.*, (“CRL”), and previously authorized to transact business and exercise powers of a redevelopment agency pursuant to actions of the City Council of the City of Lemon Grove; and

**WHEREAS**, Assembly Bill X1 26 added Parts 1.8 and 1.85 to Division 24 of the California Health & Safety Code, which laws caused the dissolution and wind down of all redevelopment agencies (“Dissolution Act”); and

**WHEREAS**, the Agency is now a dissolved redevelopment agency pursuant to the Dissolution Act; and

**WHEREAS**, by resolution, considered by the City Council at an open public meeting, the City chose to become and serve as the “Successor Agency” to the dissolved Agency under the Dissolution Act; and

**WHEREAS**, the Successor Agency made a mandatory payment to the County of San Diego in the amount of \$557,054, when the amount should have been \$391,839, resulting in a cash flow loan of \$165,215; and

**WHEREAS**, the City’s General Fund made a short-term cash-flow loan to the Successor Agency to cover the shortfall; and

**WHEREAS**, a formal loan agreement to reflect the short-term cash-flow loan will allow the Successor Agency to seek reimbursement for this obligation.

**NOW, THEREFORE, BE IT RESOLVED** that the Successor Agency Board to the Lemon Grove Community Development Agency hereby:

1. Approves the Loan Agreements between the Successor Agency to the Lemon Grove Community Development Agency and the City of Lemon Grove (Exhibit 1); and
2. Authorizes the City Manager to execute said agreements on behalf of the City.

# Attachment A

**APPROVED AND ADOPTED** this 3<sup>rd</sup> day of March 2015.

\_\_\_\_\_  
Chair

ATTEST:

\_\_\_\_\_  
Secretary

I, Susan Garcia, City Clerk, DO HEREBY CERTIFY that Resolution No. 2015-\_\_ was duly adopted by the Lemon Grove Successor Agency Board at a regular meeting thereof held on the 3<sup>rd</sup> day of March 2015, and that it was adopted by the following vote, to-wit:

AYES:

NOES:

ABSTAIN:

ABSENT:

# Attachment A

## EXHIBIT 1

### **LOAN AGREEMENT BETWEEN THE CITY OF LEMON GROVE AND THE SUCCESSOR AGENCY TO THE LEMON GROVE COMMUNITY DEVELOPMENT AGENCY**

1. Parties: The Successor Agency to the Lemon Grove Community Development Agency (the "Borrower") and the City of Lemon Grove (the "Lender").
2. On July 12, 2012, the Successor made a payment of \$557,054.42 to the County of San Diego based on calculations provided by the County. Upon further review, Successor Agency staff found an accounting error that resulted in the County being overpaid in the amount of \$165,215.
3. Promise to Pay: by or before December 31, 2015, the Borrower agrees to pay to the Lender \$165,215.
4. The Lender provided a cash-flow loan in the amount of \$165,215 to the Borrower.
5. Annual Percentage Rate: the Parties agree, to the extent allowed by law, to establish an interest rate for the outstanding short-term cash-flow loan at the amount equal to the Local Agency Investment Fund by the State of California during the term of the loan.
6. Loan Payments: the Parties agree that the Borrower will make loan payments as funds are available from Residual Property Tax Trust Fund distributions.
7. Prepayment: the Borrower has the right to pay the whole amount of the loan at any time.

SUCCESSOR AGENCY TO THE  
FORMER LEMON GROVE COMMUNITY  
DEVELOPMENT AGENCY

CITY OF LEMON GROVE

\_\_\_\_\_  
Jerry Selby, Chair, Oversight Board

\_\_\_\_\_  
Graham Mitchell, City Manager

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date



## Attachment B

### RESOLUTION NO. 2015-\_\_\_\_\_

#### RESOLUTION OF THE LEMON GROVE SUCCESSOR AGENCY BOARD APPROVING A LOAN AGREEMENT BETWEEN THE SUCCESSOR AGENCY TO THE LEMON GROVE COMMUNITY DEVELOPMENT AGENCY AND THE CITY OF LEMON GROVE

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**WHEREAS**, the Lemon Grove Community Development Agency (“Agency”) was established as a redevelopment agency that was previously organized and existing under the California Community Redevelopment Law, Health & Safety Code Section 33000, *et seq.*, (“CRL”), and previously authorized to transact business and exercise powers of a redevelopment agency pursuant to actions of the City Council of the City of Lemon Grove; and

**WHEREAS**, Assembly Bill X1 26 added Parts 1.8 and 1.85 to Division 24 of the California Health & Safety Code, which laws caused the dissolution and wind down of all redevelopment agencies (“Dissolution Act”); and

**WHEREAS**, the Agency is now a dissolved redevelopment agency pursuant to the Dissolution Act; and

**WHEREAS**, by resolution, considered by the City Council at an open public meeting, the City chose to become and serve as the “Successor Agency” to the dissolved Agency under the Dissolution Act; and

**WHEREAS**, the Enforceable Obligations reported between July 2012 to December 2014 exceeded the Residual Property Tax Trust Fund monies received by the Successor Agency by \$167,795; and

**WHEREAS**, the City’s General Fund made a short-term cash-flow loan to the Successor Agency to cover the shortfall; and

**WHEREAS**, a formal loan agreement to reflect the short-term cash-flow loan will allow the Successor Agency to seek reimbursement for this obligation.

**NOW, THEREFORE, BE IT RESOLVED** that the Successor Agency Board to the Lemon Grove Community Development Agency hereby:

3. Approves the Loan Agreements between the Successor Agency to the Lemon Grove Community Development Agency and the City of Lemon Grove (Exhibit 1); and
4. Authorizes the City Manager to execute said agreements on behalf of the City.

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## Attachment B

**APPROVED AND ADOPTED** this 3<sup>rd</sup> day of March 2015.

\_\_\_\_\_  
Chair

ATTEST:

\_\_\_\_\_  
Secretary

I, Susan Garcia, City Clerk, DO HEREBY CERTIFY that Resolution No. 2015-\_\_ was duly adopted by the Lemon Grove Successor Agency Board at a regular meeting thereof held on the 3<sup>rd</sup> day of March 2015, and that it was adopted by the following vote, to-wit:

AYES:

NOES:

ABSTAIN:

ABSENT:



# Attachment B

## EXHIBIT 1

### **LOAN AGREEMENT BETWEEN THE SUCCESSOR AGENCY TO THE LEMON GROVE COMMUNITY DEVELOPMENT AGENCY AND THE CITY OF LEMON GROVE**

1. Parties: The Successor Agency to the Lemon Grove Community Development Agency (the "Borrower") and the City of Lemon Grove (the "Lender").
2. Beginning on July 12, 2012, the Borrower relied on the Lender's general reserves to fulfill financial obligations required of the Borrower due to Borrower's lack of available cash funds. The Borrower's negative cash funds have caused the Lender to issue short-term cash-flow loans to Borrower. Since July 12, 2012, the Borrower has incurred a total of \$167,795 in short-term cash-flow debt from Lender.
3. Promise to Pay: by or before December 31, 2015, the Borrower agrees to pay to the Lender \$167,795.
4. Annual Percentage Rate: the Parties agree, to the extent allowed by law, to establish an interest rate for the outstanding short-term cash-flow loan at the amount equal to the Local Agency Investment Fund by the State of California during the term of the loan.
5. Loan Payments: the Parties agree that the Borrower will make loan payments as funds are available from Residual Property Tax Trust Fund distributions.
6. Prepayment: the Borrower has the right to pay the whole amount of the loan at any time.

SUCCESSOR AGENCY TO THE  
FORMER LEMON GROVE COMMUNITY  
DEVELOPMENT AGENCY

CITY OF LEMON GROVE

\_\_\_\_\_  
Jerry Selby, Chair, Oversight Board

\_\_\_\_\_  
Graham Mitchell, City Manager

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date